

Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 INT-05
GSA-02 IO-13 L-03 FRB-03 OMB-01 ITC-01 SP-02 AGRE-00
AID-05 COME-00 INR-07 LAB-04 SIL-01 STR-04 TRSE-00
CEA-01 PA-01 PRS-01 PM-04 NSC-05 SS-15 OPIC-03 XMB-02
ISO-00 /135 W

-----281439 073126 /45

O P 281320Z FEB 77
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC IMMEDIATE 4260
INFO AMEMBASSY LONDON PRIORITY
AMEMBASSY KUALA LUMPUR
AMEMBASSY BANGKOK
AMEMBASSY DJAKARTA
AMEMBASSY CANBERRA
AMEMBASSY LAGOS
USMISSION GENEVA

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E.O. 11652: N/A
TAGS: EMIN, BL
SUBJ: TIN - ASEAN GROUP CONCLUDES LA PAZ MEETING

REF: STATE 039605

1. SUMMARY: MALAYSIAN MINISTER OF PRIMARY RESOURCES MUSA
HITAM ACCOMPANIED BY FATAH OF THEIR LONDON EMBASSY AND
REPRESENTATIVES OF THAILAND AND INDONESIA VISITED LA PAZ
FEBRUARY 21 TO 24 TO TRY TO REACH A COMPROMISE POSITION
WITH THE BOLIVIANS THAT WOULD ALLOW PRESENTATION OF A
JOINT POSITION AT THE MARCH ITC MEETING THAT WOULD BOTH
BE ACCEPTABLE TO A MAJORITY OF THE CONSUMER MEMBERS AND
ALLOW BOLIVIAN RATIFICATION OF THE FIFTH ITA. IN A JOINT
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COMMUNIQUE IN THE LATE AFTERNOON OF FEBRUARY 24 THERE
IS AN INDICATION OF SOME COMPROMISE IN THE BOLIVIAN
POSITION ACHIEVED IN THE PREVIOUS DAYS DISCUSSIONS
WITH THE ASEAN DELEGATION. THE COMMUNIQUE STATED
THAT BOLIVIAN WOULD RATIFY THE FIFTH ITA BY JUNE 30,
1977 IF THE TIC TAKES EFFECTIVE ACTION ON PRICE
LEVELS (BUT LEAVES UNDEFINED EXACTLY WHAT

ACTION) AND ADOPTS REGULAR REVISION AND SYSTEMATIC PROCEDURES FOR UPDATING PRICE SCALES. THE BOLIVIANS DROPPED THEIR DEMANDS FOR AN INDEXING SCHEME IN FAVOR OF THE REGULAR REVISION MENTIONED ABOVE. THE COMMUNIQUE FAILS TO MENTION THE TIC VOTING SYSTEM BUT CALLS FOR CONSUMER CONTRIBUTIONS TO THE BUFFER STOCK. THERE ARE SIGNS THAT EVERYONE WAS GENERALLY PLEASED WITH THE MEETINGS BUT IT WAS NOT CLEAR IF THE COMPROMISE WOULD BE SUFFICIENT TO PLACATE CONSUMER MEMBERS AND THUS LEAD TO BOLIVIAN RATIFICATION OF THE FIFTH ITA. END SUMMARY.

2. MALAYSIAN MINISTER MUSA HITAM; MALAYSIAN COMMERCIAL ATTACHE (LONDON), FATAH; INDONESIA TIN EXPERT (BUREAU OF MINES), SIRMAN WADIATMO; AND THAT DELEGATE C. NILCUNA CARRIED ON THREE DAYS OF INTENSIVE DISCUSSIONS AT COMIBOL HEADQUARTERS WITH KEY OFFICIALS OF COMIBOL, MINISTRY OF MINES, ENAF AND PRIVATE MINING REPRESENTATIVES. THE KEY ISSUES INVOLVED WERE (1) PRICE RANGE FOR OPERATION OF THE ITC BUFFER STOCK; (2) CONSUMER CONTRIBUTIONS TO THE BUFFER STOCK; (3) VOTING PROCEDURES WITHIN THE ITC. THE BOLIVIANS HAVE FAILED TO RATIFY THE ITA, THUS CALLING INTO QUESTION THE FUTURE OF THAT ORGANIZATION, BECAUSE THEY FELT NO SUBSTANTIAL PROGRESS HAD BEEN MADE ON THEIR DEMANDS ESPECIALLY THE PRICE ISSUE. THE ASEAN GROUP ARRIVED WITH THE INTENTION OF SEARCHING FOR FLEXIBILITY IN THE BOLIVIAN POSITION IN ORDER TO MOVE THEM TOWARD A POSITION OF COMPROMISE WITH THE LIMITED OFFICIAL USE

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SO-CALLED HARD CORE CONSUMER COUNTRIES BECAUSE THE ASIANS ARE CONVINCED OF THE BASIC VALUE OF THE ITA FOR BOTH CONSUMERS AND PRODUCERS.

3. AFTER TWO DAYS OF INTENSIVE DISCUSSIONS THE ASEAN GROUP AND THE BOLIVIANS WERE ABLE TO AGREE ON A JOINT COMMUNIQUE. THE COMMUNIQUE RECOGNIZED: THE VALUE OF THE ITA IN SPITE OF SOME IMPORTANT FLAWS, THAT TO BE SUCCESSFUL ITC MUST BE JUST AND FAIR FOR PRODUCERS AND CONSUMERS, THAT BOTH DELEGATIONS WILL LOOK IN COMING MEETINGS FOR IMPROVED OPERATIONS IN THE COUNCIL AND SPECIAL UNDERSTANDING OF THE POSITION OF BOLIVIAN AS A HIGH COST PRODUCER, THAT BOTH DELEGATIONS WILL PRESENT A RESOLUTION TO THE TIC FOR THE ESTABLISHMENT OF A PERIODIC EXAMINATION AND SYSTEMATIC PROCEDURE FOR UPDATING THE BSM PRICE SCALE, THAT BOTH DELEGATIONS AGREE AND WILL COLLECTIVELY WORK TO ACHIEVE AN APPROPRIATE LEVEL OF MINIMUM AND MAXIMUM PRICES,

THA T THE BOLIVIAN DELEGATION TOOK NOT OF THE
ASEAN REPORT OF ITS MEETINGS WITH THE HARD LINE
CONSUMER COUNTRIES AND NOTED THEIR POSITIVE ATTITUDE
AND GREATER APPRECIATION FOR A BETTER AND MORE
SYSTEMATIC OPERATION OF THE ITC, THAT SSUMING THE
COUNCIL WILL TAKE EFFECTIVE ACTION ON PRICE LEVELS,
REGULAR REVISION AND SYSTEMATIC PROCEDURES FOR
UP-DATING THE PRICE SCALES -- THE GOB WILL RATIFY
THE FIFTH ITA BY JUNE 30, 1977 AND CON-
SIDERING THE TIME FACTOR THE COUNCIL SHOULD TAKE
ACTION ASAP, THAT IN THE CASE IT IS NOT POSSIBLE TO
ACHIEVE A FAIR AND JUST FUNCTIONING OF THE COUNCIL
IT WOULD RESULT IN ADOPTION OF AN UNDESIRABLE BUT
INEVITABLE COURSE OF ACTION SO AS NOT TO LEAVE THE
TIN INDUSTRY COMPLETELY TO FREE MARKET FORCES WHICH
ARE SUBJECT TO SPECULATIVE INFLUENCES (OBVIOUS
REFERENCE TO FORMATION OF A PRODUCERS GROUP, THAT
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BOTH DELEGATIONS, CONSCIOUS THAT THE ITC OUGHT TO
BENEFIT BOTH PRODUCERS AND CONSUMERS, EMPHASIZE THE
NEED TO REMIND CONSUMING NATIONS THAT RIGHTS ALSO
BRING OBLIGATIONS AND FOR THIS REASON CALL UPON ALL CONSUMING
COUNTRIES TO CONTRIBUTE TO THE BUFFER STOCK. THE COMMUNIQUE ENDED
WITH AN EXPRESSION OF THANKS BY THE ASEAN GROUP FOR THE FRANK AND
FRIENDLY DIALOGUE WITH THE BOLIVIAN DELEGATION AND RECOGNIZED
SOLIDARITY AMONG DEVELOPING COUNTRIES IN THE SPIRIT OF THE NIEO.
A TRANSLATION OF THE JOINT COMMUNIQUE IS BEING FORWARDED BY
AIRGRAM.

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00
USIE-00 INRE-00 AF-08 ARA-06 EA-07 EUR-12 NEA-10
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XMB-02 /135 W

-----281943 077421 /41/45

O P 281320Z FEB 77
FM AMEMBASSY LA PAZ
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C O R R E C T E D C O P Y

4. COMMENT: THE JOINT COMMUNIQUE OFFERS SOME COMPROMISES AND SUFFICIENTLY GENERAL LANGUAGE TO ALLOW THE FOUR MAJOR PRODUCING COUNTRIES TO COME TOGETHER AND FORM A JOINT FRONT FOR THE MARCH ITC MEETING. NOTABLY, THE BOLIVIANS GAVE IN ON INDEXATION, SEEMING TO SETTLE FOR A REGULAR REVIEW OF PRICES AND A SYSTEMATIC APPROACH TO THEIR DETERMINATION SOMEWHAT ALONG THE LINES SUGGESTED BY PARAGRAPH EIGHT OF REFTEL. THE COMMUNIQUE BLUNTLY PUT THE SPOTLIGHT ON CONSUMER CONTRIBUTIONS TO THE BUFFER STOCK BUT DID NOT TIE IT DIRECTLY TO THE ISSUE OF BOLIVIAN RATIFICATION. NO MENTION WAS MADE OF THE VOTING SYSTEM IN THE ITC. THE BSM PRICE RANGE SEEMS TO REMAIN THE KEY ISSUE BUT NO SPECIFICS

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ARE AVAILABLE OF HOW MUCH OF AN INCREASE WOULD BE CONSIDERED FAIR. THE DISCUSSIONS WERE HELD AT THE POLITICAL LEVEL AND NOT THE TECHNICAL BUT THERE IS EVIDENCE OF SOME DIFFERENCE BETWEEN THE TWO DELEGATIONS ON THE SPECIFICS OF A PRICE LEVEL INCREASE. AN OFFICIAL OF THE MINISTRY OF MINES INDICATED THE BOLIVIAN POSITION AT THE MARCH MEETING WOULD BE BASED ON STUDIES AS WELL AS OTHER ARGUMENTS. WE BELIEVE THE LATTER REFERS PRIMARILY TO JUSTIFICATION OF A HIGHER FLOOR PRICE IN ORDER TO ATTRACT NEW INVESTMENT INTO TIN MINING. A STATEMENT IN THE PRESS BY GENERAL MIRANDA INDICATED THE GOB POSITION AT THE NEXT ITC MEETING, RELATIVE TO PRICES, WILL BE MUCH THE SAME AS AT THE LAST MEETING. IN OUR OPINION, IN ORDER TO RATIFY BY THE END OF JUNE THE GOB WILL NEED SOME PROGRESS ON PRICES AT THE MARCH OR JUNE ITC MEETINGS.

5. DURING A COCKTAIL CONVERSATION WITH MINATT, MUSA HITAM SAID MALAYSIA DOES NOT WANT HIGH PRICES

BUT PRESENT MINIMUM PRICE IS TOO LOW TO ATTRACT NEW INVESTMENT. HE SAID HE HAS ALWAYS MAINTAINED A RESPONSIBLE POSITION REGARDING PRICES AND ADDED WHERE ELSE COULD YOU FIND AN OFFICIAL OF A PRODUCER COUNTRY TRAVELING THE WORLD TO TRY TO FIND A WAY TO GET PRICES DOWN. HE SAID THAT TAXES WERE NEEDED FOR ECONOMIC DEVELOPMENT AND THAT PRICE FLUCTUATIONS CAUSED A LACK OF INVESTMENT SO A HIGHER FLOOR PRICE WAS NEEDED. MUSA SAID HE HAD RAISED THE POSSIBILITY IN WASHINGTON OF A POSSIBLE DIRECT PURCHASE BY THE ITC FROM THE GSA BECAUSE THE ITC HAS MONEY AND THE GSA HAS TIN WHICH IS OUTSIDE THE INTERNATIONAL TIN MARKET. HE SAID THE COMIBOL-LONDON TIN DREDGING OPERATION AT PLAYA VERDE WOULD ALSO COME UP FOR DISCUSSION. IN A SEPARATE CONVERSATION WITH FATAH, FATAH STATED LIMITED OFFICIAL USE

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THAT NOW THAT THE DREDGING SECTOR IS CONTROLLED BY THE GOM WHEN PRICES RISE PRODUCTION WILL ALSO RISE UNLIKE BEFORE WHEN IT WAS PRIVATELY OWNED (FOREIGN) AND THE COMPANIES WERE ONLY CONCERNED WITH GETTING MORE PROFITS OUT OF THE COUNTRY (SIC). POL/ECON OFFICER WAS TOLD BY CARLOS ITURRALDE PRIOR TO ARRIVAL OF ASEAN TEAM THAT A U.S. CONTRIBUTION TO THE BUFFER STOCK WOULD BE AN INTERESTING INITIATIVE AND MIGHT FORM A PART OF A PACKAGE FOR A COMPROMISE ON PRICE.

6. PERHAPS DURING MINISTER OF PLANNING LECHIN'S VISIT TO WASHINGTON (SEE STATE 041578) A BETTER IDEA OF WHAT SPECIFIC PRICE INCREASE THE GOB FEELS IS NECESSARY WILL COME TO LIGHT. LECHIN MADE PUBLIC STATEMENTS SEVERAL WEEKS AGO, MUCH BANDIED ABOUT BY THE PRESS HERE, THAT BOLIVIA NEEDS A PRICE OF FIVE DOLLARS PER POUND TO GET A FAIR RETURN, PAY THE WORKERS A DECENT WAGE AND GUARANTEE NEW INVESTMENT. END COMMENT.
BEAL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, AGREEMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LAPAZ01506
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770068-0835
Format: TEL
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977023/aaaaacvt.tel
Line Count: 267
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fa8817c5-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 39605
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3290451
Secure: OPEN
Status: NATIVE
Subject: TIN - ASEAN GROUP CONCLUDES LA PAZ MEETING
TAGS: EMIN, BL, ASEAN
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/fa8817c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009